

**FY2019**



**Utah Land Trusts  
Protection &  
Advocacy Office**

# **Annual Report**

Utah School and  
Institutional Trust System  
Fiscal Year 2018-2019





## Utah Land Trusts Protection & Advocacy Office

### Message from the Director

More than 124 years ago, at statehood, lands were granted in trust for the benefit and support of several of the most important public purposes and institutions in the state of Utah. Expectedly, these values—public and higher education, mental and physical health, juvenile support and rehabilitation, institutes for the deaf and blind, water storage and sustainability, and housing government activities—persist among Utah's primary commitments today. While the importance of these interests to the state of Utah has not changed, there are constant and evolving threats to the trust lands dedicated to supporting these purposes.

The strongest voices in protecting, sustaining, and growing trust lands and trust funds are the voices of our school children, young adults seeking to better themselves and our State, and disadvantaged residents in need of varying types of support. These voices become more powerful when unified and organized. The Utah Land Trusts Protection & Advocacy Office (Protection & Advocacy Office) was established for this remarkable purpose – the unification and institutionalization of beneficial interests of the school and institutional trusts.

As a full-time advocate with undivided loyalty to trust beneficiaries, the Protection and Advocacy Office protects beneficiaries against any goal that is inconsistent with the inherent purposes of the trusts. The Protection & Advocacy Office is dedicated daily to protecting current and future beneficiary rights and interests by advocating for 1) productive use and optimization of revenue to all trust beneficiaries from school and institutional trust lands, and 2) prudent and profitable investment of trust funds.

The Protection & Advocacy Office has a focused approach toward promoting trust beneficiary interests by facilitating open communication among key individuals and organizations, advocating for legislative change that best serves the interests of the trust beneficiaries, and educating the public regarding the Utah School and Institutional Trust Lands System.

We are pleased and honored for the opportunity to serve you, the beneficiaries of the Utah school and institutional trusts. Much has been written about the Utah School and Institutional Trust Lands Administration (SITLA) and the Utah School and Institutional Trust Fund Office (SITFO) and their achievements are outstanding. The Protection & Advocacy Office completes the circle and early vision of the sponsors and creators of SITLA – a system of checks and balances surrounding undivided loyalty to current and future beneficiaries.

With the aid of the state treasurer and the Protection & Advocacy Committee, the Protection & Advocacy Office's inaugural fiscal year (2019) was full of opportunities to achieve its purpose. We are committed to relentless advocacy and protection of the trusts' beneficial interests, and we will continue developing an environment of cooperation by providing responsible, undivided advocacy for the preservation, stability and growth of the trust assets for years to come.

We hope you enjoy this annual report, and we look forward to the unlimited potential and future of the School and Institutional Trust System.

**Justin J. Atwater**  
Director



# Table of Contents

## Introduction

- Message from the Director - Page 2

## Section 1: The Trust System

- Trust System Overview - Pages 4-5
- Land Trusts Protection & Advocacy Office - Pages 6-7
- School & Institutional Trust Lands Administration - Pages 8-9
- School & Institutional Trust Funds Office - Pages 10-12

## Section 2: Trust Assets & Financials

- Beneficiary Assets - Pages 14-16
- Financial Summary - Pages 17-21
- Distributions - Page 22
- 3-Year Trust Income Statement - Page 23-24

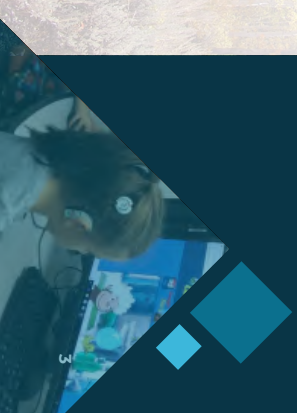
## Section 3: Beneficiary Summary

- Public Schools Trust - Page 26-28

## Section 4: Agency Goals & Recommended Actions - Page 30

## Protection & Advocacy Office FY2019 Highlights

1. Appointed Protection and Advocacy Office director and hired staff.
2. Established Protection & Advocacy Office location and infrastructure.
3. Met with all beneficiary contacts and introduced the Protection & Advocacy Office Mission.
4. Created beneficiary general asset information dashboard.
5. Created annual beneficiary distribution report.
6. Drafted and negotiated the trusts' first multi-beneficiary project policy.
7. Prepared first all beneficiary annual report.
8. Presented trust message at PTA, SBO, Superintendent's Association, etc.
9. Participated in Trust Advisory Committee meetings, representing trust beneficiaries.
10. Participated in SITLA and SITFO board meetings and other agency gatherings and discussions.
11. Advocated and promoted new approaches to revenue generation and asset tracking within SITLA.



# The Trust System

## Undivided Loyalty & Fiduciary Duty

Four state agencies and one constitutional officer (the state treasurer) share trustee and fiduciary responsibilities for land management, fund investment, distributions, advocacy, and administration of each beneficiary's trust. Each agency works independently to ensure integrity, growth, and protection of Utah's trust lands and funds to benefit the designated beneficiaries.

## Land Management

SITLA manages Utah's nearly 3.4 million surface acres and 4.5 million subsurface acres of school and institutional trust lands, depositing revenue into the trust funds.

**SITLA - School & Institutional Trust Lands Administration**  
675 E 500 S, Suite 500  
Salt Lake City, UT 84102

## Fund Investment

SITFO invests the nearly \$2.6 billion permanent funds investment portfolio, distributing constitutionally mandated amounts each year to the trust beneficiaries.

**SITFO - School & Institutional Trust Funds Office**  
200 E So. Temple, Suite 100  
Salt Lake City, UT 84111

## Fund Distribution

The School LAND Trust Program at the Utah State Board of Education trains and supports School Community Councils as they prepare academic plans to be reviewed, and approved by local school boards, and distributes funds to the public schools.

**School Childrens Trust Section  
Utah State Office of Education**  
250 E 500 S  
Salt Lake City, UT 84111

## Trust Advocacy

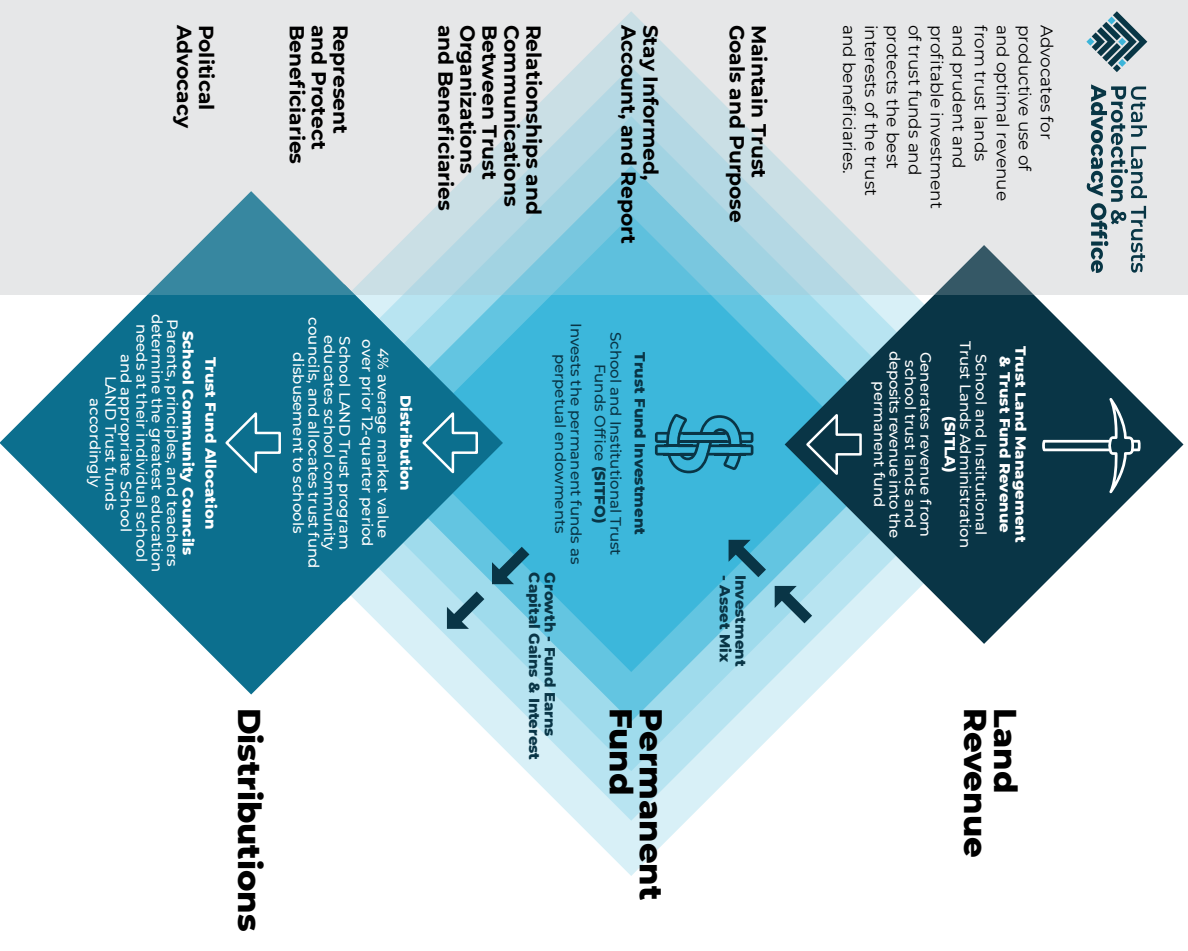
The Land Trusts Protection & Advocacy Office, created in 2018 by the Utah Legislature, protects trust assets by monitoring trust activities and advocating for trust growth and preservation.

**Land Trusts Protection & Advocacy Office**  
675 E 500 S Suite 340  
Salt Lake City, UT 84102

## Trust Beneficiaries

- |   |  |   |  |
|---|--|---|--|
| <ul style="list-style-type: none"><li>• Public Schools Trust</li><li>• Utah State University</li><li>• Agricultural College Trust</li><li>• Utah Schools for the Deaf Trust</li></ul> | <ul style="list-style-type: none"><li>• Utah Schools for the Blind - Institution for the Blind Trust</li><li>• Utah State Hospital Trust</li><li>• Miners' Hospital Trust</li><li>• Youth Development Center</li><li>• Reform School Trust</li></ul> | <ul style="list-style-type: none"><li>• Colleges of Education</li><li>• Normal Schools Trust</li><li>• Benefiting colleges of education at:<ul style="list-style-type: none"><li>• University of Utah</li><li>• Dixie State University,</li><li>• Southern Utah University,</li><li>• Utah State University,</li><li>• Utah Valley University,</li><li>• and Weber State University</li></ul></li></ul> | <ul style="list-style-type: none"><li>• Reservoirs Trust</li><li>• School of Mines Trust</li><li>• University of Utah Trust</li><li>• Public Buildings Trust</li></ul> |
|---|--|---|--|

4 - The Trust System - Overview



5 - The Trust System - Overview

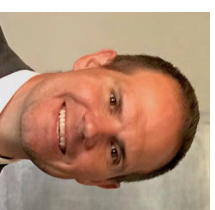
# Land Trusts Protection & Advocacy Office

## Mission & Responsibilities

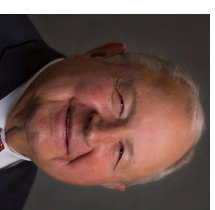


6 - The Trust System - Land Trusts Protection & Advocacy Office

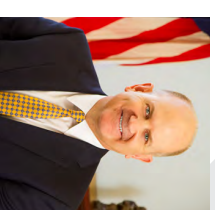
## Utah Land Trusts Protection & Advocacy Office



**Justin Atwater**  
Director



**Melvin R. Brown**  
Committee Chair



*"The recently formed Land Trusts Protection & Advocacy Office will benefit Utah's education programs now and for years to come."*  
-Utah State Treasurer,  
David Damschen



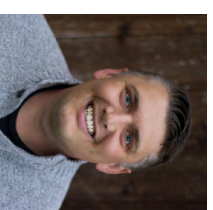
**Paula Plant**  
Committee Member



**Thomas Bachtell**  
Committee Member



**Steven Ostler**  
Committee Member



**Brigham Tomco**  
Committee Member

### Land Trusts Protection & Advocacy Office

The Land's Trust Protection & Advocacy Office, under direction of the Protection & Advocacy Committee, and state treasurer acts in a fiduciary capacity on behalf of all trust beneficiaries.

Established by statute in 2018, the Protection & Advocacy Office is an advocate, protector, and representative of the Utah school and institutional land trusts.

The Protection & Advocacy Office protects the best interests of the trust beneficiaries and advocates for productive use of and optimal revenue from trust lands and prudent and profitable investment of trust funds.

### The five-member Protection & Advocacy Committee

The committee is comprised of individuals selected by the SITLA Board, the SITFO Board, the state treasurer, and the State Board of Education. All committee members must be individuals who have demonstrated a commitment of time and loyalty to the purposes of the trusts.

7 - The Trust System - Land Trusts Protection & Advocacy Office



# School & Institutional Trust Lands Administration



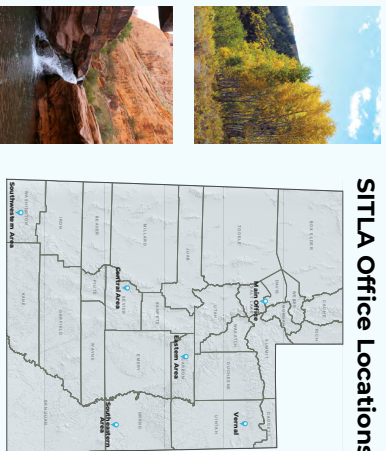
## Mission

Administering trust lands prudently and profitably for Utah's school children and other trust beneficiaries.

## Background

Since its inception in 1994, the Utah School and Institutional Trust Lands Administration (SITLA) has generated \$196 billion for the 12 beneficiary trusts. The agency is responsible for managing the lands and revenues generated from Utah's 3.4 million acres of surface trust lands and 4.5 million acres of subsurface trust lands for the financial support of the trust beneficiaries.

## SITLA Office Locations



8 - The Trust System - SITLA

## SITLA Responsibilities

- Manage trust lands for the financial support of trust beneficiaries
- Optimize trust land revenues and values balancing short and long-term interests of the beneficiaries
- Ensure that no less than fair-market value be received for the use, sale, or exchange of trust lands
- Manage trust lands for their highest and best trust land use
- Where prudent by exchange, upgrade trust land assets

### SITLA | Salt Lake City

Salt Lake City, UT 84102

**Main Office: Administrative; Oil, Gas & Minerals; Surface; Real Estate Planning & Development**

### SITLA | Vernal

Vernal, UT 84078

**Administrative; Surface, Oil & Gas**

### SITLA | Eastern Area

Price, UT 84501

**Surface**

### SITLA | Southwestern Area

Washington, UT 84780

**Real Estate Planning & Development**

### SITLA | Central Area

Richfield, UT 84701

**Surface**

### SITLA | Southeastern Area

Moab, UT 84532

**Surface; Real Estate Planning & Development**

## SITLA Board of Trustees

The SITLA Board of Trustees provides oversight of the state trust lands in Utah. The SITLA Board consists of seven members who are appointed by the governor with the consent of the Senate. The trustees are experienced professionals with outstanding qualifications pertinent to the purposes and activities of the trust; nominated by a robust and independent process outlined in statute. A full-time staff of 70 manages and operates the day-to-day functions of SITLA under the direction of an appointed director.

State law requires that the board represents the following areas of expertise: non-renewable resource management or development and renewable resource management or development, and real estate. Other qualifications that are pertinent to board members' expertise include: business, investment banking, finance, trust administration, asset management and the practice of law in renewable, and non-renewable resources management, or business.



### Lonnie M. Bullard

(Board Chair) Background: Finance, real estate development, and commercial construction



### Roger E. Barrus

(Vice Chairman) Background: Oil and gas, real estate development, business management, and legislative service



### Donald G. Foot

Background: Metallurgical engineer, corporate development, and management



### W. Richards Woodbury

Background: Real estate development, planning, and management



### David Donegan

Background: Board Member of SOGC and Wolf Midstream Company, which developed and operates a crude gathering system in West Texas



### Warren H. Peterson

Background: Land use planning and management, natural resource law



### Michael Mower

Background: Coordinating state planning and public lands initiatives

## Lines of Business

- Land Sales
- Surface and Agriculture (grazing, forestry, special use leases, rights of way, renewable energy)
- Oil and Gas
- Real Estate Development
- Mining (limestone, gypsum, coal, precious metals, and more)

## Use & Disposition of Trust Lands

The trust lands granted under the enabling act were entrusted to the state of Utah to be used to generate a perpetual source of revenue and support exclusively for the benefit of the trust beneficiaries. The beneficiaries do not include other governmental institutions or agencies, the public at large, or the general welfare of the state. They are not public lands. Revenue from energy, mining, real estate development, surface leases, easements, and land sales on these lands support 12 trusts for education, hospitals, and universities. This revenue (minus expenses), gets deposited into permanent funds for each individual state beneficiary institution.



9 - The Trust System - SITLA

# School & Institutional Trust Funds Office



UTAH SCHOOL & INSTITUTIONAL TRUST FUNDS OFFICE

## Mission

To responsibly maximize the return on the invested principal of the school and institutional trusts for the current and future benefit of Utah's education programs.

## Background

The School & Institutional Trust Funds Office (SITFO), an independent government agency created by the Legislature in 2014, administers the investment of earnings received from SITFLA, derived from the sale and/or lease of trust lands.

SITFO invests the nearly \$2.6 billion permanent funds in a manner that supports distribution policy in perpetuity while providing for inter-generational equity between the current and future beneficiaries. SITFO manages each trust investment with the same asset allocation for the benefit of each trust beneficiary.

## Policy for the Investments and Beneficiary Distributions

In overseeing the \$2.6 billion endowment fund, it is the policy of SITFO to make long-term strategic allocations and avoid making tactical shifts. The current strategic asset mix of the fund is shown below. SITFO's expected long-term return of this asset mix, after inflation, is approximately 5%. Given the time horizon of the trust, SITFO believes the risk of falling short of this goal is of greater consequence than the potential for excess return.

Distributions to trust beneficiaries are subject to a fixed formula determined by the Utah Constitution and outlined in statute. The distribution formula is intended to balance the needs of current and future beneficiaries and provide predictable and sustainable distributions from year to year.

## SITFO Responsibilities

- Manage and invest the trust funds
- Diversify the investments of trust fund money and assets
- Make sound decisions based on objective research and sound portfolio theory

10 - The Trust System - SITFO



## Board of Trustees

SITFO has a five-person Board of Trustees, with the state treasurer as chairperson. The trustees are experienced investment professionals nominated by a robust and independent process outlined in statute. SITFO has four full-time staff members responsible for the day-to-day management of the trust investments.

In addition to the investment professionals at SITFO, the board retains an institutional investment consulting firm to work with the board and SITFO staff to develop and implement the agency's investment program.

## David Damschen

Utah State Treasurer  
Chair, Board of Trustees

## Kent A. Misener

Vice Chair, Board of Trustees

## David R. Nixon

Board of Trustees

## John Lunt

Board of Trustees

## Jason Gull

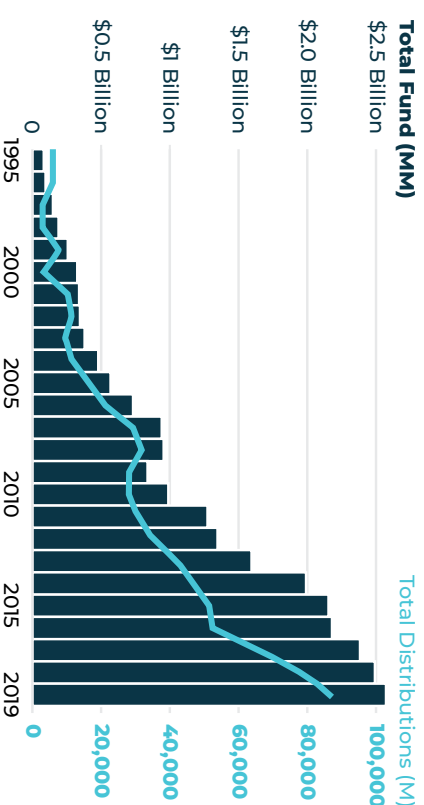
Board of Trustees

# SITFO Portfolio



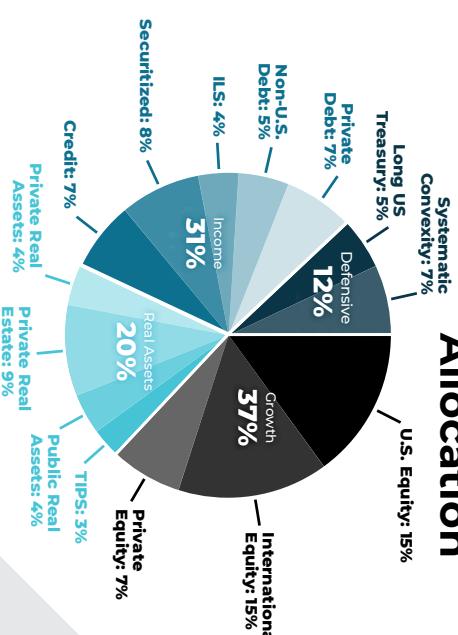
UTAH SCHOOL & INSTITUTIONAL TRUST FUNDS OFFICE

## Historical Distributions vs Market Value



	FY2019	3 Year Annualized	5 Year Annualized	10 Year Annualized
Total Fund	3.70%	6.10%	4.90%	9.50%
CPI +5%	6.90%	7.30%	6.60%	6.80%
Policy Index	4.70%	6.20%	4.80%	9.30%

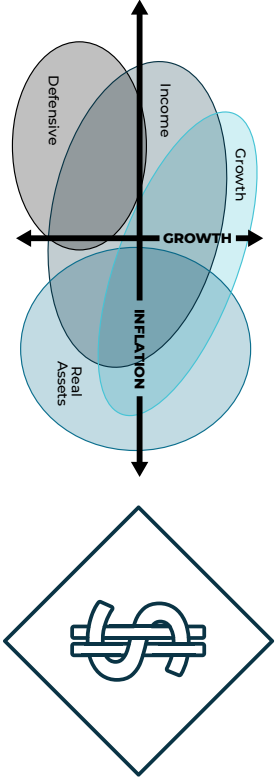
## Asset Allocation



11 - The Trust System - SITFO

# SITFO Investment Process Elements & Application

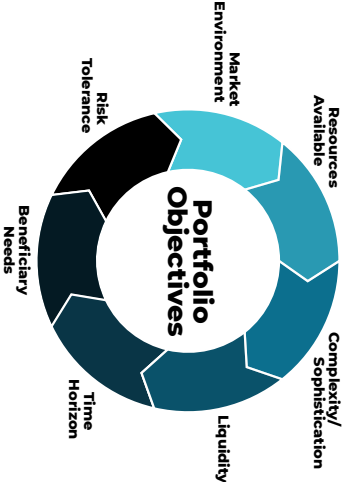
Idea Generation	Asset Allocation Framework	Asset Class Structure	Manager Selection	Portfolio & Risk Management
<ul style="list-style-type: none"> <li>Board, Staff, Consultant, Managers, Networks, News Flows, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Fit with Objectives</li> <li>Caps/Needs</li> <li>Portfolio Optimization</li> <li>Contribution to:</li> <li>Risk</li> <li>Return</li> <li>Liquidity</li> <li>Diversification</li> </ul>	<ul style="list-style-type: none"> <li>Repeat Asset Allocation Questions</li> <li>Opportunity Set Specific</li> <li>Liquidity</li> <li>Active/Passive</li> <li>Marginal Contribution</li> </ul>	<ul style="list-style-type: none"> <li>Strategy Fit</li> <li>Marginal Contribution</li> <li>Investment Due Diligence</li> <li>Desktop Review</li> <li>Phone/in-Person/ Onsite Reviews</li> <li>Fee Negotiation</li> <li>Diversification</li> <li>Operational Due Diligence</li> </ul>	<ul style="list-style-type: none"> <li>Constraints/Sizing</li> <li>Monitoring</li> <li>Rebalancing</li> <li>Capital Flows</li> <li>Measuring</li> </ul>
Resources	MPI, Bloomberg	MPI, Bloomberg	MPI, eInvestment, PitchBook, Dynamo	MPI, Dynamo, Bloomberg, Calssa
Responsibilities	Board, Staff, Consultant	Staff, Consultant	Staff, Consultant	Staff, Consultant, Custodian



## SITFO Objectives, Goals & Policies

- Investment objective: CPI +5%
- 10-year inflation estimate at ~2.2% (long term average ~3.3%)
  - Targeting marginally higher than 7.2% to offset estimation errors in assumptions (fees, inflation, etc.)
  - Given the time horizon of the trust, SITFO believes the risk of falling short of this goal is of greater consequence than the potential for excess return.

12 - The Trust System - SITFO



FY2019

# Trust Assets & Financials

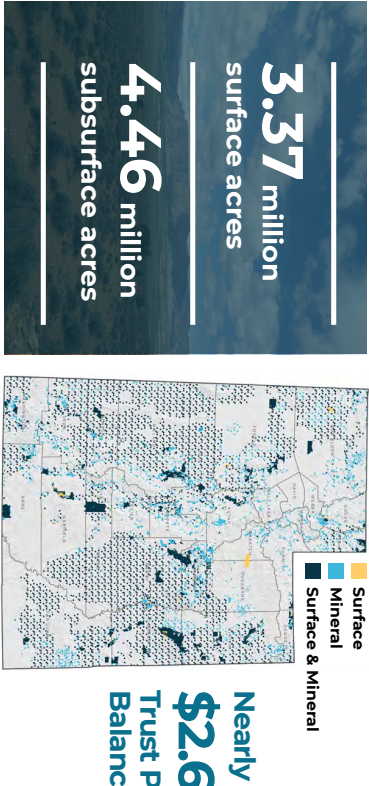
The trust assets and financial summary information provided herein is a compilation of information gathered from SITLA and SITFO. For more detailed information, please visit the SITLA and SITFO websites respectively.

# Trust Beneficiary Assets

Trust Beneficiary Asset Schedule\*

Beneficiary	Acreage -Surface	% Acreage -Surface	Acreage -Mineral	% Acreage -Mineral	Total Permanent Fund Balance	% Total Permanent Fund
Public Schools Trust	3,264,891.17	96.82%	4,132,249.16	92.77%	\$2,465,465,555	95.38%
Utah Schools for the Deaf Trust	4,773.38	0.14%	11,641.64	0.26%	\$2,676,284	0.10%
Utah Schools for the Blind (institution for the Blind Trust)	455.55	0.01%	12,412.17	0.28%	\$21,693,236	0.84%
Youth Development Center (Reform School Trust)	19.18	0.00%	9,056.39	0.20%	\$1,348,869	0.05%
Utah State University (Agricultural College Trust)	27,577.14	0.82%	51,723.65	1.1%	\$4,272,795	0.17%
Colleges of Education (Normal Schools Trust)	4,662.42	0.14%	20,751.52	0.44%	\$5,987,688	0.23%
Miners' Hospital Trust	5,284.41	0.16%	53,479.03	1.20%	\$59,229,931	2.29%
School of Mines Trust	7,249.76	0.21%	16,741.26	0.38%	\$4,877,234	0.19%
University of Utah Trust	16,201.07	0.48%	38,395.27	0.86%	\$7,130,264	0.28%
Utah State Hospital Trust	0.00	0.00%	9,674.50	0.22%	\$4,404,421	0.17%
Public Buildings Trust	0.27	0.00%	7,099.63	0.16%	\$0	0.00%
Reservoirs Trust	41,167.41	1.22%	96,818.69	2.17%	\$7,807,862	0.30%
Totals	3,372,281.76	100.00%	4,460,042.91	100.00%	\$2,584,894,139	100.00%

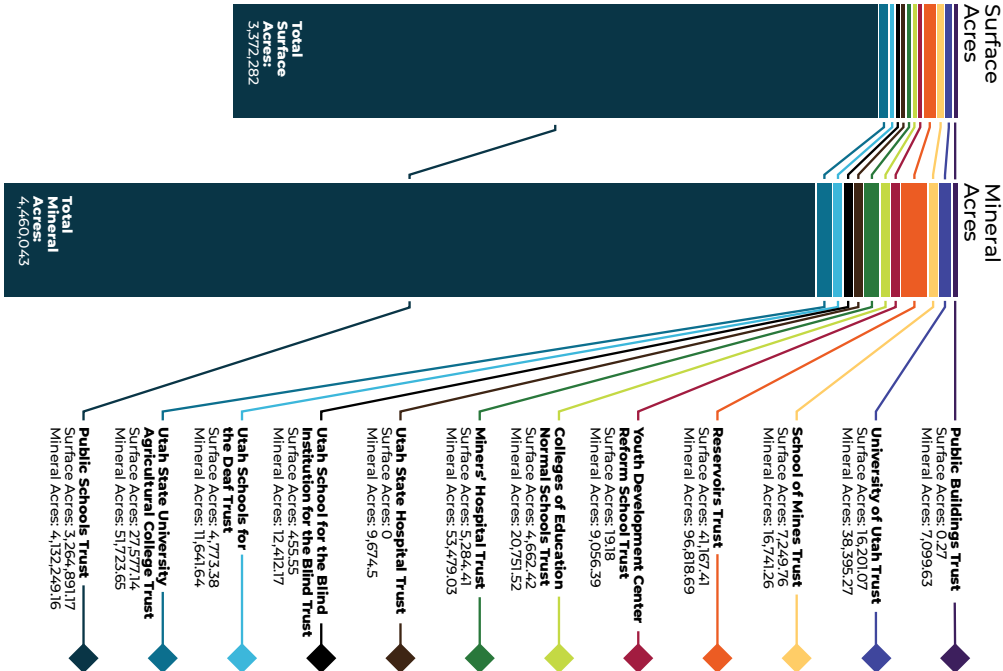
\*Acreage fluctuates depending on commodity type (as of June 30, 2019)  
\*\*Surface acreage includes lands remaining to satisfy grant



Nearly \$2.6 Billion Trust Permanent Balance



# Trust Beneficiary Acreage Assets



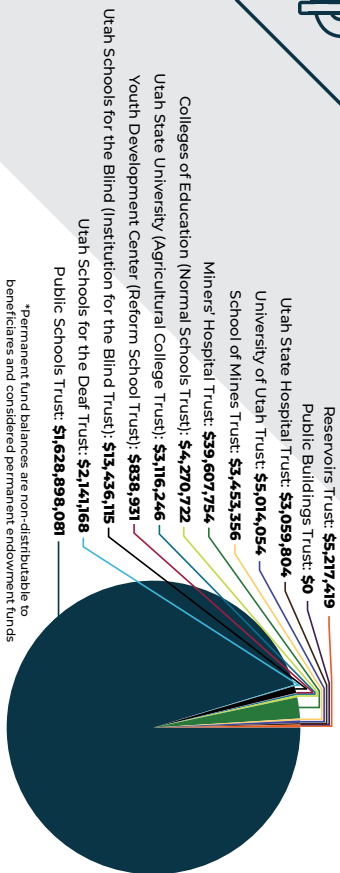
\*Mineral acreage fluctuates depending on commodity type (as of June 30, 2019)  
\*\*Surface acreage includes lands remaining to satisfy grant



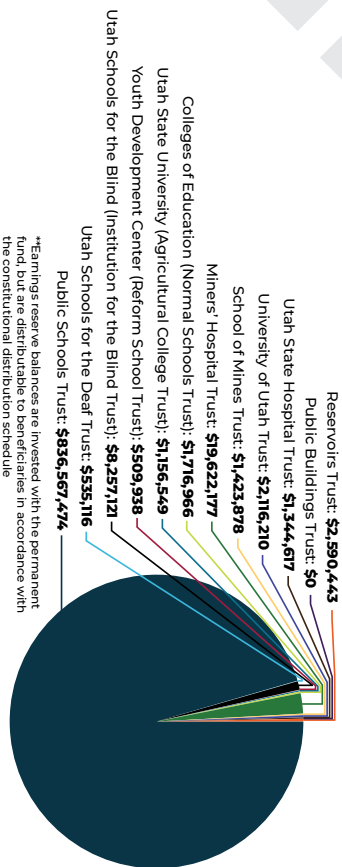




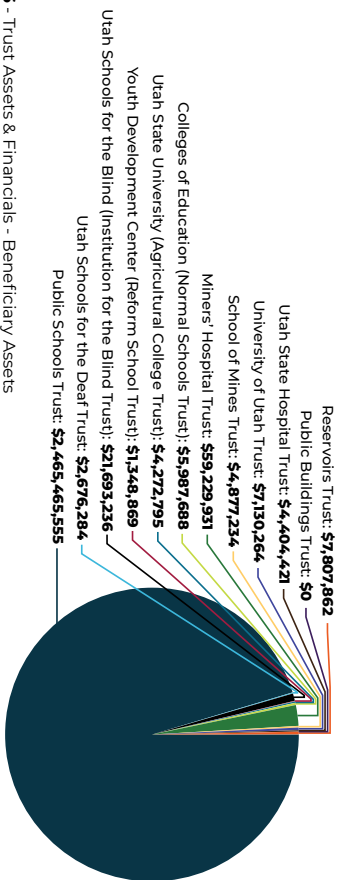
## Permanent Fund Market Value\*



## Earnings Reserve Market Value\*\*



## Total Permanent Fund Balance



## Financial Summary Fiscal Year 2019

In FY19, the Utah School and Institutional Trust System generated \$170.1 million in net income for distribution to current beneficiaries and growth of the permanent fund for future beneficiaries. SITFO accounted for \$93.8 million of the net trust income or 55.73%. SITLA accounted for \$76.2 million of the net trust income or 44.83%. Compared to FY18 where SITFO generated 70.62% and SITLA 29.38% of net income.

SITLA's revenues were shared among three major categories: Mineral Revenues (22.43%); Development and Planning Revenues (16.95%) and Surface Revenues (8.89%). All three categories of revenue grew from year-over-year with mild growth in Minerals Revenue (4.32%)

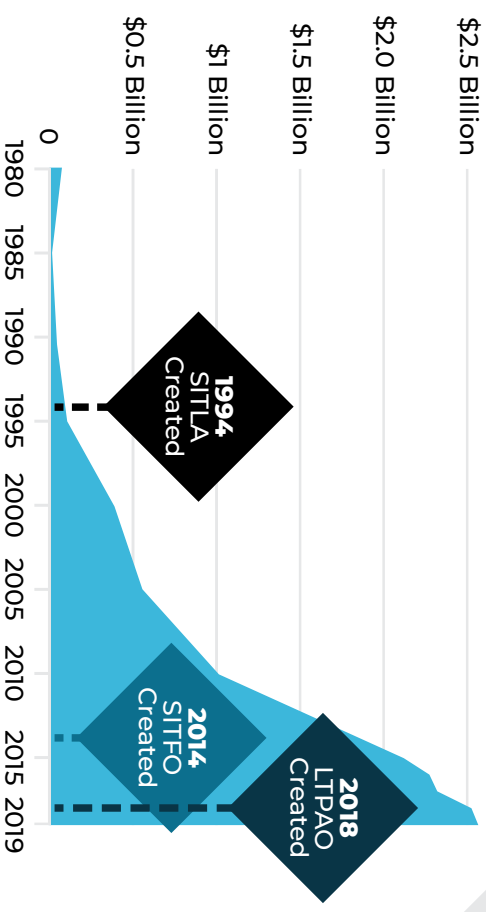
and significant growth in development and planning revenue (68.95%). Traditional surface revenue (e.g. grazing, forestry, easements, agriculture, and leasing) actually fell in FY19 by 1.64%, but surface land sales exceeded 15.4% of FY18 contributing to a total 37.09% growth in surface revenues.

\$86.7 million was distributed to 11 beneficiaries in FY19, with approximately 95.30% distributed to Utah's public school children under direction of local school community councils. The undistributed amount generated in FY19, \$85.5 million, remains invested in a diversified portfolio under the direction of SITFO.

**Financial Summary FY2019**

## Permanent Fund Balance

**\$2,541 Billion**  
Current Fund Balance



# Net Income

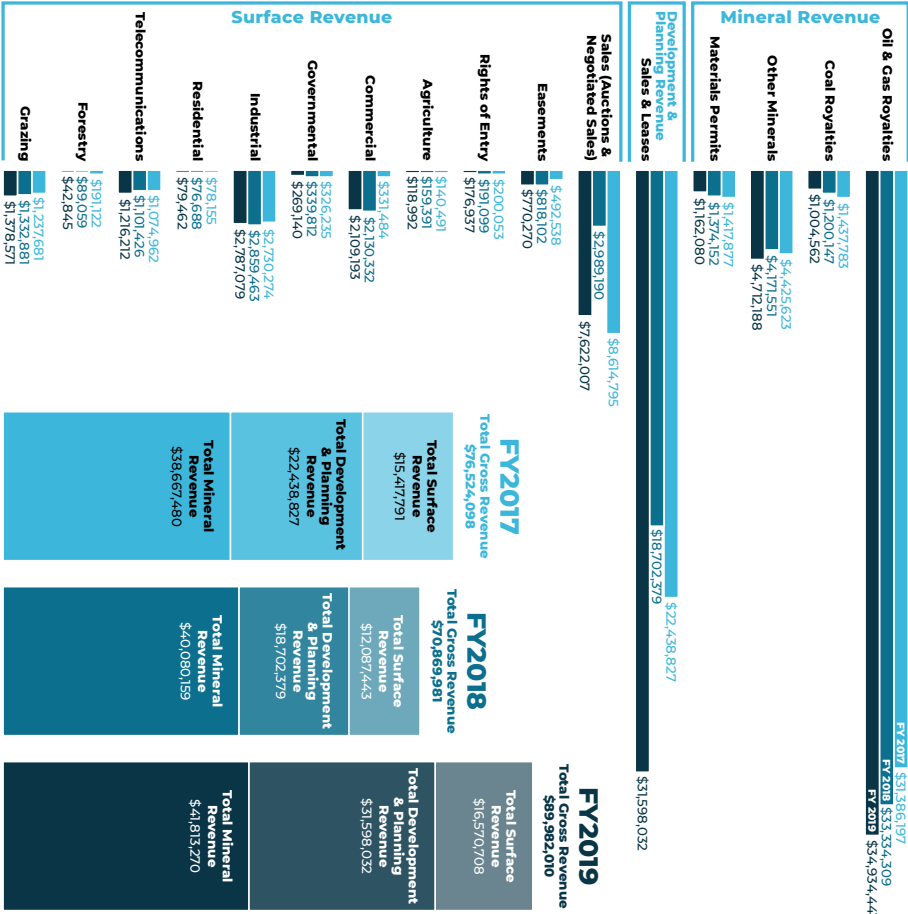
Sources	FY2019		FY2019
Oil & Gas Royalties	\$34,934,441	SITLA Operating Expenses	\$10,449,941
Coal Royalties	\$1,004,562	SITFO Operating Expenses	\$2,552,944
Other Minerals	\$4,712,188	Beneficiary Distributions	\$86,735,552
Materials Permits	\$1,162,080	Permanent Fund Contribution	\$83,406,485
Development Sales & Leases	\$31,598,032		
Sales (Auctions & Negotiated Sales)	\$7,622,007		
Easements	\$770,270		
Rights of Entry	\$176,937		
Agriculture	\$118,992		
Commercial	\$2,109,193		
Governmental	\$269,140		
Industrial	\$2,787,079		
Residential	\$79,462		
Telecommunications	\$1,216,212		
Forestry	\$42,845		
Crazing	\$1,378,571		
Permanent Fund Interest & Gains (SITFO)	\$96,414,236		



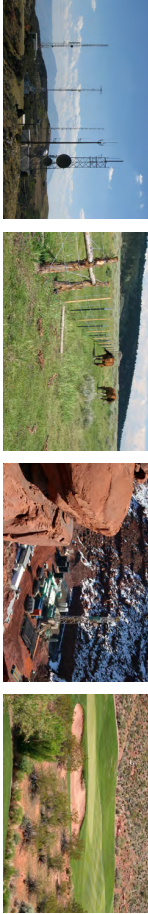
# Trust Lands Permanent Fund Combined

	FY2017	FY2018	FY2019
SITLA Net Operating Income	\$61,683,638	\$56,665,794	\$76,280,745
Permanent Fund Interest & Gains (SITFO)	\$208,768,733	\$138,235,687	\$96,414,236
SITFO Operating Expenses	\$1,773,456	\$2,040,677	\$2,552,944
SITFO Net Operating Income	\$206,995,277	\$136,195,010	\$93,861,292
Total Net Income	\$270,452,371	\$194,901,481	\$170,142,037
Beneficiary Distributions	\$66,048,564	\$78,659,118	\$86,735,552
Net Asset Growth	\$204,403,807	\$116,242,363	\$83,406,485
<b>3-Year Cumulative Net Growth</b>			<b>\$404,052,655</b>

# SITLA Revenue By Source 2017-2019



To see revenue by source information in table format, see page 23.



# SITLA Cash Flow

**2017** Total SITLA Revenue  
\$76,524,098

SITLA Net Operating Income \$61,683,638

Operating Expenses \$10,276,174

Capital Expenses \$4,564,286

**2018** Total SITLA Revenue  
\$70,863,981

SITLA Net Operating Income \$56,665,794

Operating Expenses \$10,245,943

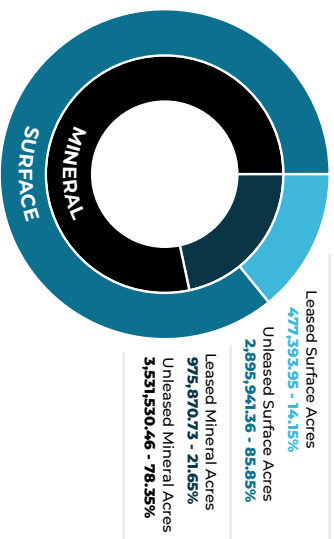
Capital Expenses \$3,958,244

**2019** Total SITLA Revenue  
\$89,982,010

SITLA Net Operating Income \$76,280,745

Operating Expenses \$10,449,941

Capital Expenses \$3,251,324



**Financial Summary FY2019**

20 - Trust Assets & Financials - Financial Summary FY2019

## Schedule of SITFO Expenditures FY 2019

Fund Operating Expenses		Involved Investment Management (IM) Fees	
SITFO Investment Office Budget	\$903,998	BMO	\$246,883
LTPAO Office Budget	\$217,800	Bramshill	\$203,591
Audit Expense	\$48,145	Harvest	\$387,713
Investment Systems & Publications	\$420,510	Loomis	\$418,612
Consulting Services	\$688,000	Parametric	\$920,596
Custodial Banking Services	\$274,492	Sallent	\$456,866
<b>Subtotal Fund Operating Expenses</b>	<b>\$2,552,945</b>	<b>Subtotal Involved IM Fees</b>	<b>\$2,634,261</b>
<b>Total Fund Operating Expenses and Invoiced IM Fees: \$5,187,206</b>			

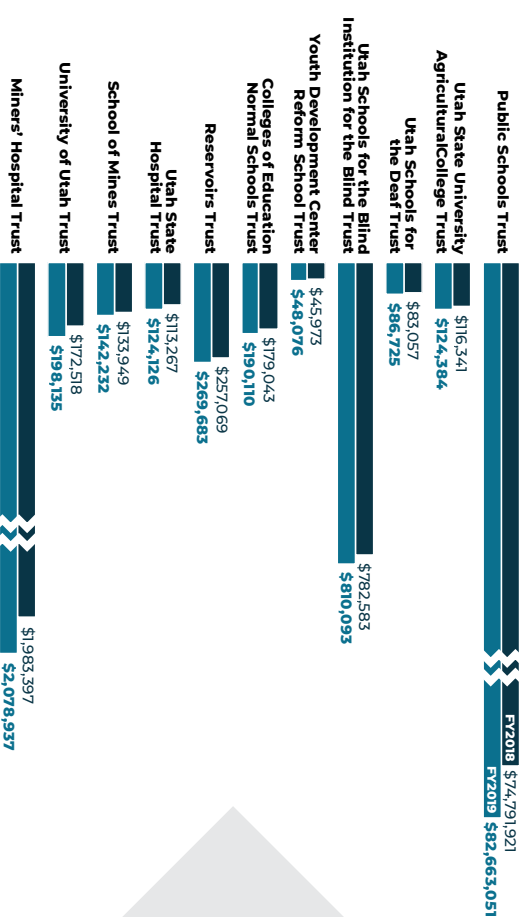
## Schedule of Weighted Investment Returns by Beneficiary

	FY2019	3 Year Annualized	5 Year Annualized	10 Year Annualized	Since Inception	Inception Date
Total Fund	3.70%	6.10%	4.90%	9.50%	6.60%	May 2004
CPI +5%	6.90%	7.30%	6.60%	6.80%	7.00%	
Policy Index	4.70%	6.20%	4.80%	9.30%	6.90%	
Beneficiary	FY2019	3 Year Annualized	5 Year Annualized	10 Year Annualized	Since Inception	Inception Date
Public Schools Trust	3.70%	6.10%	4.90%	9.50%	6.60%	May 2004
Utah State University Agricultural College Trust	3.70%	6.10%	4.80%	9.30%	6.30%	May 2004
Utah Schools for the Deaf Trust	3.70%	6.10%	4.80%	9.40%	6.40%	May 2004
Utah Schools for the Blind Institution for the Blind Trust	3.70%	6.10%	5.00%	9.80%	6.80%	May 2004
Youth Development Center Reform School Trust	3.70%	6.10%	4.80%	9.60%	6.40%	May 2004
Colleges of Education Normal Schools Trust	3.70%	6.10%	4.80%	9.30%	6.40%	May 2004
Reservoirs Trust	3.70%	6.00%	4.80%	9.40%	6.50%	May 2004
Utah State Hospital Trust	3.70%	6.10%	4.80%	9.50%	6.60%	May 2004
School of Mines Trust	3.70%	6.10%	4.80%	9.50%	6.50%	May 2004
University of Utah Trust	3.70%	6.10%	4.70%	9.40%	6.40%	May 2004
Miners' Hospital Trust	3.70%	6.10%	5.00%	9.70%	6.30%	May 2004

21 - Trust Assets & Financials - Financial Summary FY2019

# Distributions FY2019

## Overall Distributions to Trust Beneficiaries FY2018-FY2019



## Distribution Formula for Public Schools Trust

**[50% (I + CPI + Enrollment Growth) x (Previous Year Distribution)] + [50% (4% x 12Q average)]**

### Example:

50% (I + 2.3% CPI + 1.22% enrollment) x (\$74.79MM prior year distribution) = \$38.7MM  
 50% (4% x 2.2B) = \$43.96MM  
 \$38.7MM + \$43.96MM = \$82.663,051.11 to be distributed FY20 (3.47% of the trust's market value\*)  
 \*Subject to a cap of 4% against 12Q average (ex: distribution capped at \$87.9MM)

## Distribution Formula for All Other Trusts

**(4% x 12Q average previous fiscal year end) = Total FY Distribution Amount**

**Example (institution for the Blind):**

4% x \$20,252,355.07 = \$810,093.40\*

\* Total distribution amount is paid quarterly every year.

## Distribution Schedule



22 - Trust Assets & Financials - Distributions

# 3-Year All Trusts Income Statement

## FY2017-FY2019

Minerals	FY2017	FY2018	FY2019
Oil & Gas Royalties	\$31,386,197	\$33,334,309	\$34,934,441
Coal Royalties	\$1,437,783	\$1,200,147	\$1,004,562
Other Minerals	\$4,425,623	\$4,171,551	\$4,712,188
Materials Permits	\$1,417,877	\$1,374,152	\$1,162,080
<b>Total Mineral Revenue</b>	<b>\$38,667,480</b>	<b>\$40,080,159</b>	<b>\$41,813,270</b>
<b>Development &amp; Planning</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Development Sales & Leases	\$22,438,827	\$18,702,379	\$31,598,032
<b>Total Development &amp; Planning Revenue</b>	<b>\$22,438,827</b>	<b>\$18,702,379</b>	<b>\$31,598,032</b>
<b>Surface</b>	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
Sales (Auctions & Negotiated Sales)	\$8,614,795	\$2,989,190	\$7,622,007
Easements	\$492,538	\$818,102	\$770,270
Rights of Entry	\$200,053	\$191,099	\$176,937
Agriculture	\$140,491	\$159,391	\$118,992
Commercial	\$331,484	\$2,130,332	\$2,109,193
Governmental	\$326,235	\$339,812	\$269,140
Industrial	\$2,730,274	\$2,859,463	\$2,787,079
Residential	\$78,155	\$76,688	\$79,462
Telecommunications	\$1,074,962	\$110,426	\$1216,212
Forestry	\$191,122	\$89,059	\$42,845
Grazing	\$1,237,681	\$1,332,881	\$1,378,571
<b>Total Surface Revenue</b>	<b>\$15,417,791</b>	<b>\$12,087,443</b>	<b>\$16,570,708</b>

23 - Trust Assets & Financials - Income Statement

FY2019



## 3-Year All Trusts Income Statement - Continued

Total Revenue	FY2017	FY2018	FY2019
Total Trust Gross Revenue	\$76,524,098	\$70,869,981	\$89,982,010
Non-Trust Fee Revenue	\$0	\$0	\$0
Total SITLA Revenue	\$76,524,098	\$70,869,981	\$89,982,010
Expenses	FY2017	FY2018	FY2019
Operating Expenses	\$10,276,174	\$10,245,943	\$10,449,941
Capital Expenses	\$4,564,286	\$3,958,244	\$3,251,324
	FY2017	FY2018	FY2019
SITLA Net Operating Income	\$61,683,638	\$56,665,794	\$76,280,745
Permanent Fund Interest & Gains (SITFO)	\$208,768,733	\$138,235,687	\$96,414,236
SITFO Operating Expenses	\$1,773,456	\$2,040,677	\$2,552,944
SITFO Net Operating Income	\$206,995,277	\$136,195,010	\$93,861,292
Total Net Income	\$270,452,371	\$194,901,481	\$170,142,037
Beneficiary Distributions	\$66,048,564	\$78,659,118	\$86,735,552
Net Asset Growth	\$204,403,807	\$116,242,363	\$83,406,485
<b>3-Year Cumulative Net Growth</b>			<b>\$404,052,655</b>



# FY2019

## Beneficiary Summary

### Public Schools Trust

# Beneficiary Summary

## Public Schools Trust

Public Schools Trust	
Acreage - Surface	3,264,891.17 (96.82%)
Acreage - Mineral	4,132,249.16 (92.71%)
Permanent Fund Market Value	\$1,628,898,081
Earnings Reserve Market Value	\$836,567,474
Total Permanent Fund Balance	\$2,465,465,555 (95.38%)

**Surface Acres:** 3,264,891.17  
**Mineral Acres:** 4,132,249.16

Info from 6/30/2019

## Distribution Formula for Public Schools Trust

[50% (1 + CPI + Enrollment Growth) x (Previous Year Distribution)] + [50% (4% x 12Q average)]\*

\*Subject to a cap of 4% against 12Q average

## FY2019 Distribution for Public Schools Trust

[50% (1 + 2.3% CPI + 1.22% Enrollment Growth) x (\$74.79MM Previous Year Distribution)] = \$38.7MM

[50% (4% x 2.2B)] = \$43.96MM\*

\$38.7MM + \$43.96MM = \$82,663,051.11 (\*3.47% of the trusts 12Q average)

**\$82,663,051.11**



Fund Return %			
FY2019	3-Year Annualized	5-Year Annualized	10-Year Annualized
3.7%	6.1%	4.9%	6.6%

## 3-Year Annual Income Statement - Public Schools Trust

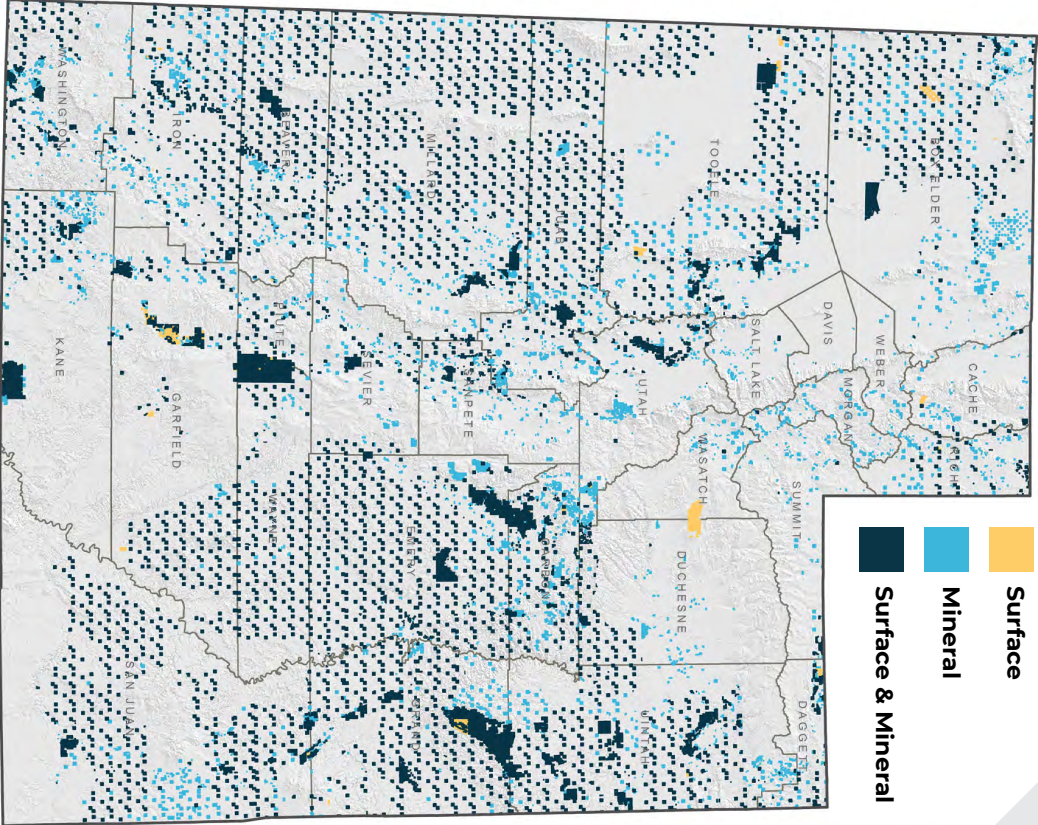
Minerals	FY2017	FY2018	FY2019
Oil & Gas Royalties	\$29,750,830	\$31,274,622	\$32,573,398
Coal Royalties	\$1,437,301	\$1,199,665	\$1,004,079
Other Minerals	\$4,383,073	\$4,117,155	\$4,482,117
Materials Permits	\$1,312,741	\$1,220,373	\$1,113,230
<b>Total Mineral Revenue</b>	<b>\$36,883,945</b>	<b>\$37,811,815</b>	<b>\$39,172,824</b>
Development & Planning			
Development Sales & Leases	\$21,181,455	\$19,695,878	\$36,288,845
<b>Total Development &amp; Planning Revenue</b>	<b>\$21,181,455</b>	<b>\$19,695,878</b>	<b>\$36,288,845</b>
Surface			
Sales (Auctions & Negotiated Sales)			\$2,125,878
Easements			\$954,155
Rights of Entry			\$209,261
Agriculture			\$100,234
Commercial			\$2,022,791
Governmental			\$272,250
Industrial			\$2,748,296
Residential			\$54,857
Telecommunications			\$1,132,936
Forestry			\$38,679
Grazing			\$1,282,143
<b>Total Surface Revenue</b>	<b>\$16,579,744</b>	<b>\$10,032,552</b>	<b>\$10,941,479</b>
Total Revenue			
	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
<b>Total Trust Gross Revenue</b>	<b>\$74,645,144</b>	<b>\$67,540,245</b>	<b>\$86,403,148</b>
<b>Non-Trust Fee Revenue</b>	<b>\$0</b>	<b>\$832,297</b>	<b>\$798,370</b>
<b>Total SITLA Revenue</b>	<b>\$74,645,144</b>	<b>\$68,372,542</b>	<b>\$87,201,518</b>
Expenses			
	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
<b>Operating Expenses</b>	<b>\$11,704,910</b>	<b>\$11,709,523</b>	<b>\$11,057,477</b>
<b>Capital Expenses</b>	<b>\$4,564,286</b>	<b>\$2,000,000</b>	<b>\$3,163,324.24</b>
SITLA Net Operating Income			
	<b>FY2017</b>	<b>FY2018</b>	<b>FY2019</b>
SITLA Net Operating Income	\$58,375,948	\$54,663,019	\$72,980,717
Permanent Fund Interest & Gains (SITFO)	\$199,546,311	\$132,120,349	\$91,676,303
SITFO Operating Expenses	\$1,696,671	\$1,949,568	\$2,436,409
SITFO Net Operating Income	\$197,849,640	\$130,170,781	\$89,239,894
Total Net Income	\$257,922,259	\$186,783,568	\$162,220,611
Beneficiary Distributions	\$64,252,245	\$74,791,921	\$82,663,051
Net Change in Fund Balance	\$193,670,014	\$111,991,447	\$79,557,560
<b>3-Year Cumulative Net Growth</b>			<b>\$385,219,020</b>



# Beneficiary Map

Public Schools Trust

FY2019



Utah Land Trusts  
Protection &  
Advocacy Office





# Protection & Advocacy

## Agency Goals & Recommended Actions

We congratulate SITLA and SITFO for their accomplishments as trustees on behalf of the trust beneficiaries. Because of their efforts and diligence, the trust beneficiaries can expect consistent and enduring distributions in support of the respective beneficiary goals. As we look forward, the Protection & Advocacy Office expects to add an important component to the trust system that will aid in the continued growth of distributions and increase the impact of the school and institutional trust for the trust beneficiaries.

While economic measures provide a general understanding of success, we are acutely aware of the underlying steps to achieve metric growth. The Protection & Advocacy Office will vigorously support SITLA and SITFO in their respective missions and help overcome revenue-dampening barriers.

We will actively remedy noncompliance with trust responsibilities in order to safeguard the interests of trust beneficiaries, while working closely with the key entities and individuals within the trust system to protect and enhance the long-term economic value of the whole trust. We will cultivate prudent decision making and entrepreneurial business practices, advocate for goal-oriented management, and engage in large-scale, long-range planning efforts that will result in significant upward mobility of the trust for years in the future.

There are many important issues the Protection & Advocacy Office has identified as critical to trust success, including:

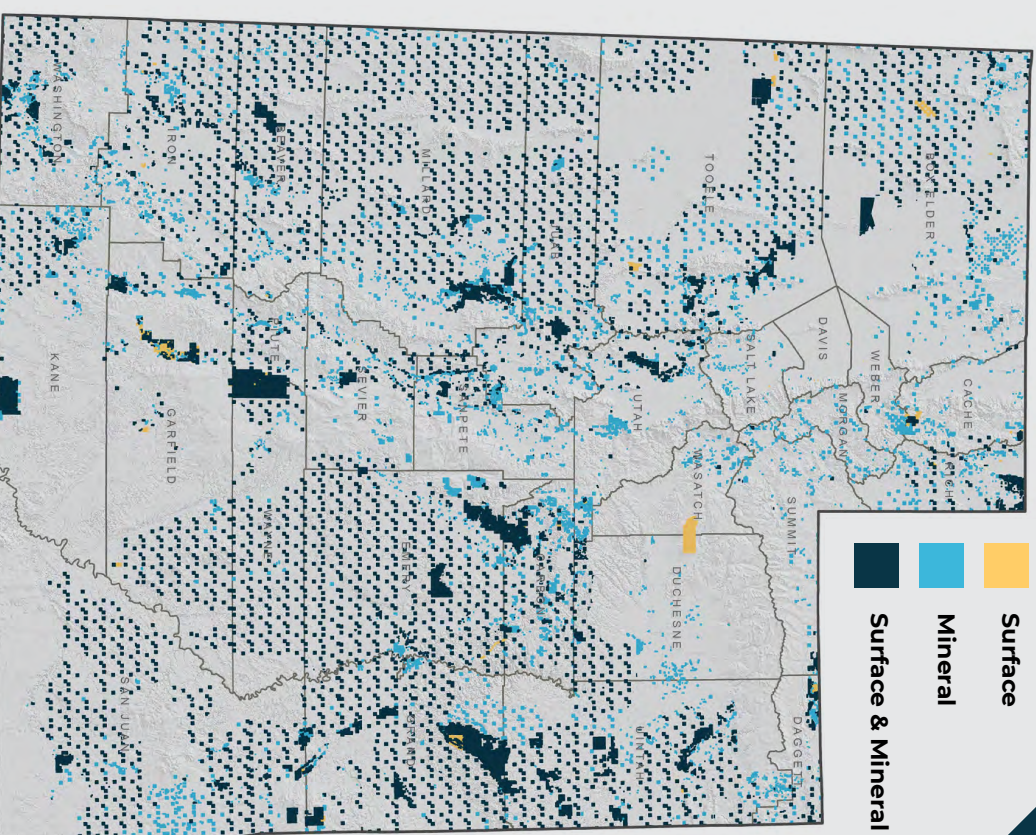
- **Infrastructure investment.**
- **Advocating for proactive management of trust lands.**
- **Access and regional transportation.**
- **Revenue enhancement.**
- **Collaborating among trust entities and key personnel.**
- **Refocusing marketing efforts.**
- **Attaining 100% understanding from public of the mission to fund public schools.**
- **Increasing awareness and adherence to public access on trust land.**
- **Maintaining collaborative relationships with local elected officials.**
- **Maintaining support for the mission and initiatives of the trust from federal and state legislatures.**
- **Encouraging rural economic development.**
- **Seeking additional resources and funding through available grant monies.**
- **Collaborating with schools to provide educational opportunities on state trust land within the core curriculum.**

The founders of our nation and pioneers of our state had great forethought and mindfulness toward public education. In 1896, nearly 124 years ago, there was a vision that lands could provide an important support and source of education funding. In recent years, Utah has taken important and significant steps toward realizing that vision. The establishment of SITLA, SITFO, the School Trust Program, and now the Protection & Advocacy Office roots the School and Institutional Trust System on firm ground with the proper checks and balances to ensure a legacy of public education and institutional funding for the state of Utah.



**Utah Land Trusts  
Protection &  
Advocacy Office**

## Land Status Map (All Trusts)







## Utah Land Trusts Protection & Advocacy Office

# Contact

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**FY2019**